

# REGULAR BOARD OF TRUSTEES MEETING MINUTES

TUESDAY, JUNE 23, 2005

Robert D. Newland called the meeting to order at 10:05 a.m. Board members present included Don Bennett, Karen Davis, Douglas Kinser, Cari Whicker and Tim Walsh.

TRF staff present included Robert Newland, Lynette Farrell, Phil Barnes, Tom Davidson, Tom Abbett, Amy Maynard Dave Yeater, Steffanie Rhinesmith and Shelley Horner. Also in attendance were Chuck Shaloliol, Tony Armstrong, John Renner and Dave Reynolds of the Budget Agency, Mary Beth Braitman of Ice Miller, Judy Kermans and Brian Murphy of Gabriel, Roeder, Smith and Company.

Bob Newland noted it is his understanding he conducts the business of the meeting until the election of board officers takes place. It was the consensus of the board to hold off on the election of officers until a later date. The staff was asked to introduce themselves to the board.

The Agenda was modified to add remarks from Mary Beth Braitman and Dave Reynolds under item D on the order of business. Also it was noted to move the discussion of the post 96' Fund rate to item D on the order of business.

Don Bennett moved to approve the agenda. Cari Whicker seconded the motion. The motion carried.

The minutes of the April 26, 2005 meeting were approved as presented.

Douglas Kinser moved to approve the Minutes. Cari Whicker seconded the motion. The motion carried.

Cari Whicker questioned Bob Newland's title of Interim Executive Director. Bob replied it is a Governor appointed position, which hasn't been decided at this time. Chuck Schalliol added they are working on making a decision and now that there is a board in place it should move quicker.

Judy Kermans and Brian Murphy presented an overview of Gabriel, Roeder, Smith and Company (GRS). They discussed the Actuarial Report from February specifically discussing the pre 96 and post 96 funds. GRS concludes that the ongoing stability of the Fund is dependent on contributions at recommended levels and the financial condition of TRF remains one of the lowest funded ratios in the nation. GRS recommends a change in the funding policy to provide for increased contributions on behalf of all account members. Also the current pay-as-you-go method for Pre 96 members could result in the inability to pay pension as the growing pension payroll puts additional cash demand on state finances.

Dave Reynolds of the Budget Agency interjected defining pre 96 funds and post 96 funds. Pre 96 is the state's responsibility and Post 96 is the individual schools systems responsibility. Dave Reynolds handed out two TRF & PSF projections for a 50 year period assuming a 2% COLA. One projection assumes a 6% general fund appropriation and one is 5.25% general fund appropriation. There is 1.9 billion in the Pension Stabilization Fund. Currently growth is not to exceed 6% with general fund appropriation – in order to meet the payout we would draw from the Pension Stabilization Fund.

These presentations ended at 11:20 a.m.

Mary Beth Braitman provided the board with a Fund history.

Bob Newland discussed the employer rate for the 96' Fund. It was recommended by Gabriel, Roeder, Smith and Company to set the rate at 7.7%. Tom Davidson added there is no statutory law stating the employer rate needs to be set on a particular date. Therefore there is no legal reason to set the rate at this meeting if the board does not feel comfortable with making this decision today. If no action is taken today, the rate will continue at 6.82% (the last board approved rate) until a decision is made. Tom Abbett stated the schools normally set their budget in June. Therefore

from a school standpoint, they would like to know what to figure into their budget as the employer rate. Tony Armstrong suggested not to a set rate today until the board is up to speed, but stating this should be a top priority when the board feels comfortable with making this decision. It was noted that staff tell the schools the employer rate would be no higher than 7.7%.

There was a 10 minute break (resuming at 11:35 a.m.)

Shelley Horner presented retiree payments for the month of June and July 2005.

Douglas Kinser moved to accept the payments. Don Bennett seconded the motion. The motion carried.

Tom Abbett presented the expenditures for the month of April and May 2005 as well as the actual expenses compared to the current budget.

Karen Davis moved to accept the Expenditures. Tim Walsh seconded the motion. The motion carried.

Bob Newland and Tom Davidson discussed disability retirement petitions with the board. Specifically, a member was on classroom disability at the time of their death, however was eligible to receive disability retirement. The member deceased before applying for disability retirement. This petition is asking for clarification for the meaning of "disability benefits". It was recommended to change the wording of Indiana Code 5-10.2-3-8 to "retirement disability benefits".

Tim Walsh moved to accept the recommendation from staff to change the wording of Indiana Code 5-10.2-3-8 to include "retirement disability benefits". Cari Whicker seconded the motion. The motion carried.

Bob Newland updated the board on special business. Therese Koers, a current TRF employee, is scheduled to move to IPSI in July. A contract has been presented guaranteeing her one year of employment to be signed by TRF, PERF and IPSI.

Don Bennett moved to designate Bob Newland to sign the contract regarding Therese Koers. Douglas Kinser seconded the motion. The motion carried.

Don Bennett and Tim Walsh brought up the criticism of Callan Associates on the pay to play articles surfacing. Bob Newland informed the board of a recent IFS review of Callan Associates. Mary Beth Braitman interjected adding there are set questions being sent out to investment managers made by the SEC and Department of Labor. The board suggested putting an RFP out to see if there are any other bites. The board also suggested sending out the set questions and also reviewing the IFS findings of Callan Associates.

The board consensus gave Bob Newland the okay to consult with Mary Beth Braitman and send out the set questions to investment managers.

Tim Walsh added he would like to see Callan Associates history back to 97'.

The next meeting was scheduled for August 2, 2005 at 10:00 a.m.

The August meeting was tentatively scheduled for August 30, 2005.

Tim Walsh approved to adjourn this meeting. Cari Whicker seconded the motion. The motion carried.

Being no additional business, the meeting adjourned at 12:40 p.m.